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DIFFER GROUP AUTO LIMITED

鼎豐集團汽車有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 6878)

THE CREDITORS' SCHEME OF ARRANGEMENT OF THE COMPANY; PROPOSED ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE; AND CONNECTED TRANSACTIONS — ISSUE OF SCHEME SHARES TO CONNECTED PERSONS

Financial Adviser to the Company



THE SCHEME

As at 31 December 2023, the cash and bank balance of the Group which could be disposed by the Group was only approximately RMB17.8 million, while the current liabilities of the Group was approximately RMB5,463.3 million. Given the lack of cashflow, the Group's ability to repay its debts when they fall due is significantly impaired. The Group is not able to repay its liabilities as they became due. The Company likewise is not able to repay its liabilities and is facing a number of demands and legal actions for unpaid debts.

As at 31 May 2024, at the Company level, the total amount of Debts was HK\$2,553,365,783, while at the Company level there is no cash to repay any Debts.

If the Company and its subsidiaries are put into liquidation, the realisable value of the underlying assets of the Group would be drastically reduced.

On 30 June 2023, the Company has appointed the Restructuring Adviser to liaise with the Company's creditors and to assist in the formulation of a restructuring plan. With the help of its Restructuring Adviser, the Board was able to formulate the terms of the Proposed Restructuring, which the Board considers to be in the interest of all of the stakeholders in the Company, including the Scheme Creditors.

The Proposed Restructuring comprises two main components namely (i) Increase in Authorised Capital; and (ii) the Scheme.

1. *The Increase in Authorised Capital:* to facilitate the issuance of Scheme Shares, the Company will reorganize its capital by increasing its authorised share capital from HK\$250,000,000 divided into 10,000,000,000 Shares to HK\$2,500,000,000 divided into 100,000,000,000 Shares.
2. *The Scheme:* the Scheme Claims of the Scheme Creditors against the Company as at the Effective Date will be discharged and released in full. In return, the Scheme Creditors whose claims are admitted will be entitled to the benefit of the Scheme Consideration which consists of the Scheme Shares. The terms of the Scheme will be explained in greater detail below.

Under the Scheme, the Scheme Claims of the Scheme Creditors will be compromised and discharged. In return, the Scheme Creditors with Admitted Claims will be entitled to receive the Scheme Shares. The Scheme Claims to be compromised essentially comprise any debt, liability or obligation of the Company which arose on or before the Effective Date but excludes Excluded Claims. Excluded Claims include Preferential Claims, Secured Claims, Operational Claims and Petition Costs.

PROPOSED ISSUE OF NEW SHARES UNDER THE SCHEME

Under the Scheme, it is proposed that the Company will settle the Scheme Claims by way of, among other things, the issuance of Scheme Shares, which shall settle the relevant amount of the Scheme Claims on a dollar to dollar basis.

The Scheme Shares shall be allotted and issued at the Scheme Share Issue Price of HK\$0.0904 per Scheme Share in respect of the Admitted Claims. The Scheme Shares will be allotted and issued under the name of the relevant Scheme Creditors, but the physical certificates of the Scheme Shares will be placed in the custody of the Scheme Company. The Scheme Shares will be subject to various lock-up periods in accordance with the Lock Up Arrangement and will have the benefit of the Make Good Undertaking, meaning that the Company will appoint the Scheme Placing Agent at its own expense to facilitate the placing of the Scheme Shares and will provide compensation if such Shares are disposed of at a price less than the relevant Guaranteed Selling Prices.

LISTING RULES IMPLICATIONS

The Scheme Shares will be allotted and issued pursuant to the Specific Mandate to be obtained upon approval by the Shareholders at the EGM. Moreover, as at the date of this announcement, each of Mr. Ng Chi Chung, Mr. Feng Xiaogang, Mr. Tong Lu and Mr. Kang Fuming is a Director as well as a Creditor under the Scheme, while Mr. Xu Yiwei is a former Director in the last 12 months from the date of this announcement as well as a Creditor under the Scheme. Accordingly, the possible issue of Scheme Shares to each of them would constitute a connected transaction under Chapter 14A of the Listing Rules and is therefore subject to the approval of the Independent Shareholders.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, save for Mr. Ng Chi Chung, Mr. Feng Xiaogang, Mr. Tong Lu and Mr. Kang Fuming, all being Directors, all the other Creditors are independent of and not connected with the Company and its subsidiaries, its connected person(s) and their respective associate(s).

GENERAL

The EGM will be convened and held for the purpose of considering and, if thought fit, approving (i) the Increase in Authorised Capital; and (ii) the Scheme (including the Scheme Shares Issue) and the transactions contemplated thereunder.

Mr. Ng Chi Chung, being a Shareholder (through his relevant controlled corporation) and a Director, and Mr. Hong Mingxian, being a Shareholder (through his relevant controlled corporation), will be required to abstain from voting on the resolutions to approve the Scheme who due to their interest in the release of their respective Personal Guarantee under the Scheme upon the Scheme becoming effective.

Save as disclosed above, none of the other Shareholders and its associates have to abstain from voting on any resolution(s) to be proposed at the EGM.

A circular containing, among others, further details of (i) the Increase in Authorised Capital; and (ii) the Scheme (including the Scheme Shares Issue) and the transactions contemplated thereunder; and (iii) a notice convening the EGM is expected to be despatched to the Shareholders as soon as possible.

Completion of the Scheme is subject to the fulfilment or waiver (as the case may be) of various conditions, including the listing approval to be issued by the Stock Exchange in relation to the Scheme Shares, which may or may not be granted. The terms of the Proposed Restructuring may or may not be further varied. Accordingly, the Scheme may or may not proceed and the Debts of the Company may or may not be settled, and the risk of the Company being wound up may or may not be eliminated. Shareholders and potential investors of the Company should therefore exercise caution and consult professional advisers, if necessary, when dealing in the Shares.

THE SCHEME

References are made to announcements dated 4 July 2023 and 30 August 2023 in relation to, among other things, the proposed debt restructuring of the Company and the appointment of the restructuring adviser to the Company. Reference is also made to the SM Placing Announcement in relation to the fund raising under the SM Placing and the framework of the Proposed Restructuring disclosed therein.

Due to the economic downturn and the sluggish performance of the property market in the PRC, the sales and operation of the Group, particularly its property development projects, have been adversely impacted, resulting a temporary cashflow problem of the Company and the Company is unable to repay certain of its debts when they fell due. As disclosed in the announcements of the Company dated 16 June 2023, 20 June 2023, 4 July 2023, 23 August 2023, 30 August 2023, 20 September 2023, 18 October 2023, 30 October 2023, 5 January 2024, 17 January 2024, 23 April 2024 and 6 June 2024, the Company is facing the winding up petition filed by its creditors, and the winding up proceedings remain in process at the High Court of Hong Kong.

According to the audited financial statement of the Group for the year ended 31 December 2023, as at 31 December 2023, the Group had a revenue of approximately RMB2,251.6 million and a loss after tax of approximately RMB2,522.4 million for the year ended 31 December 2023. The consolidated assets of the Group was approximately RMB6,002.4 million while the consolidated liabilities was approximately RMB5,835.5 million. Among the total assets, RMB1,544.2 million are non-current assets which mainly comprise property, plant and equipment of approximately RMB511.1 million, investment properties of approximately 891.7 million, interest in associates of approximately RMB127.7 million and prepayments, deposits and other receivables of approximately RMB2.3 million. The current assets of approximately RMB4,458.2 million mainly comprise of inventories of properties of approximately RMB3,085.7 million, prepayments, deposits and other receivables of approximately RMB724.8 million, other financial assets of approximately RMB346.1 million, finance lease, loan and accounts receivable of approximately RMB99.7 million, tax receivables of approximately RMB64.3 million, restricted bank deposits of approximately RMB119.8 million and cash and bank balances of approximately RMB17.8 million.

As at 31 December 2023, the cash and bank balance of the Group which could be disposed of by the Group was only approximately RMB17.8 million, while the current liabilities of the Group was approximately RMB5,463.3 million. Given the lack of cashflow, the Group's ability to repay its debts when they fall due is significantly impaired. The Group is not able to repay its liabilities as they became due. The Company likewise is not able to repay its liabilities and is facing a number of demands and legal actions for unpaid debts.

As at 31 May 2024, at the Company level, the total amount of Debts was HK\$2,553,365,783, while at the Company level there is no cash to repay any Debts.

If the Company and its subsidiaries are put into liquidation, the realisable value of the underlying assets of the Group would be drastically reduced. On 30 June 2023, the Company has appointed the Restructuring Adviser to liaise with the Company's creditors and to assist in the formulation of a restructuring plan. With the help of its Restructuring Adviser, the Board was able to formulate the terms of the Proposed Restructuring, which the Board considers to be in the interest of all of the stakeholders in the Company, including the Scheme Creditors. In order to resolve the financial difficulty of the Company and eliminate its debts, the Scheme is proposed to be implemented.

Upon further negotiation with the Scheme Creditors and considering the market performance of the Company, the Company is of the view that it is not appropriate to conduct rights issue as proposed in the announcement of the Company dated 19 December 2023. In the circumstances, the Company has amended the terms of the Scheme to remove the element of cash compensation from the Scheme.

Revised salient terms of the Scheme

The Proposed Restructuring comprises two main components namely (i) Increase in Authorised Capital; and (ii) the Scheme.

1. The Increase in Authorised Capital: to facilitate the issuance of Scheme Shares, the Company will reorganise its capital by increasing its authorised share capital from HK\$250,000,000 divided into 10,000,000,000 Shares to HK\$2,500,000,000 divided into 100,000,000,000 Shares. Such new Shares, upon issue, shall rank *pari passu* in all respects with the existing Shares.
2. The Scheme: the Scheme Claims of the Scheme Creditors against the Company as at the Effective Date will be discharged and released in full. In return, the Scheme Creditors whose claims are admitted will be entitled to the benefit of the Scheme Consideration which consists of the Scheme Shares.

Under the Scheme, the Scheme Claims of the Scheme Creditors will be compromised and discharged. In return, the Scheme Creditors with Admitted Claims will be entitled to receive the Scheme Shares. The Scheme Claims to be compromised essentially comprise any debt, liability or obligation of the Company which arose on or before the Effective Date but excludes Excluded Claims. Excluded Claims are not compromised under the Scheme and any person with an Excluded Claim cannot vote on the Scheme to the extent of their Excluded Claim. Excluded Claims include Preferential Claims, Secured Claims, Operational Claims and Petition Costs. The Company intends to settle the Excluded Claim with proceeds from its fund raising exercises (including the SM Placing and other future fund raising exercise which it may do) and its working capital.

It was disclosed in the SM Placing Announcement that the Scheme would contain certain terms, in particular, part of the proceeds from the SM Placing will be used for repayment of part of the Scheme Claims. Yet, with the lapse of time and the change in the condition concerning the Company, the Company proposes to revise the terms of the Scheme as follows.

Under the proposed Scheme, the Scheme Creditors will be wholly compensated by new Shares, being the Scheme Shares, for their debts due by the Company. Below are the salient terms of the Scheme Shares:

Issue Price:	HK\$0.0904 per Scheme Share
Maximum Number of Scheme Shares:	28,761,061,946 based on the buffered total amount of Debts of HK\$2,600,000,000
Lock up Arrangement:	<p>The Scheme Shares would be subject to the Lock Up Arrangement under which the Scheme Shares will be divided into three (3) tranches and the Lock Up Arrangement for each of them are as follows:</p> <ul style="list-style-type: none"> (a) Tranche A Scheme Shares: 33% of the Scheme Shares entitled by a Scheme Creditor shall be locked up for a period of 36 months from the date of their issuance; (b) Tranche B Scheme Shares: 33% of the Scheme Shares entitled by a Scheme Creditor shall be locked up for a period of 48 months from the date of their issuance; and (c) Tranche C Scheme Shares: 34% of the Scheme Shares entitled by a Scheme Creditor shall be locked up for a period of 60 months from the date of their issuance.
Status of the Scheme Shares:	The Scheme Shares will rank <i>pari passu</i> in all respects with the Shares then in issue as at the date of the issue.
Disposal of the Scheme Shares and the Make Good Undertaking:	Prior to the expiry of the respective lock up periods under the Lock Up Arrangement, the Company will appoint the Scheme Placing Agent at its expenses to assist the Scheme Creditors to dispose of the Scheme Shares on the market during the following Scheme Placing Periods.

If the actual selling prices of the Scheme Shares are lower than the relevant Guaranteed Selling Prices set out below, the Company will compensate such shortfall in cash within one (1) month from the end of each relevant placing period by depositing the cash compensation in the Scheme Trust Account, and the Scheme Administrators shall distribute such cash compensation to the relevant Scheme Creditors as soon as practicable. On the other hand, if the actual selling prices of the Scheme Shares are higher than the relevant Guaranteed Selling Prices, the premium over the Guaranteed Selling Prices will be paid to the Company for its benefit and use in its operation.

Maximum number of Scheme Shares to be issued

Based on the total amount of Debts of HK\$2,553,365,783 as at 31 May 2024, the total number of Scheme Shares to be issued will be 28,245,196,715. Since interest will be accrued on the Debts and taking into account the time required for the approval of the Scheme by both the Shareholders and Creditors, it is proposed that a specific mandate for the Company to allot and issue up to HK\$2,600,000,000 worth of Scheme Shares, being a maximum of 28,761,061,946, be granted by the Shareholders. In the event that the total amount of Scheme Claims is lower than HK\$2,600,000,000, only the number of Scheme Shares corresponding to the actual amount of Scheme Claims will be allotted and issued upon the Scheme becoming effective.

Scheme Share Issue Price

Reference is also made to the announcement of the Company dated 5 January 2024 in relation to, among others, the hearing at the High Court held on 5 January 2024. Upon taking into account market performance of the Shares, the Board considers it appropriate to alter the Scheme Shares Issue Price to HK\$0.0904. The original Scheme Shares Issue Price as stated in the SM Placing Announcement (i.e. HK\$0.474) should be disregarded.

The Scheme Share Issue Price of HK\$0.0904 was determined with reference to the recent market price of the Shares and represents:

- (i) a discount of 20% to the closing price of HK\$0.113 per Share as quoted on the Stock Exchange on the Last Trading Day prior to its suspension; and
- (ii) a discount of approximately 19.72% to the average closing price of HK\$0.1126 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day.

The theoretical diluted price, the benchmarked price and the theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) for the Scheme Shares together are approximately HK\$0.0911 per Share, HK\$0.113 per Share and 19.341%, respectively. Pursuant to Rule 7.27B of the Listing Rules, a listed issuer may not undertake a rights issue, open offer or specific mandate placing that would result in a theoretical dilution effect of 25% or more, unless the Stock Exchange is satisfied that there are exceptional circumstances. The Company is subject to a winding up petition issued at the High Court on 20 June 2023. In light of (i) the winding up proceedings facing the Company; and (ii) the heavily indebted financial position of the Company, it was indeed not feasible or practicable for the Company to obtain any loans from banks or other financial institutions nor to conduct further fund raising by to settle all of its liabilities. Under these exceptional circumstances and as part of the rescue proposal, the Directors consider that it is fair and reasonable for the allotment and issue of the Scheme Shares that result in a theoretical dilution effect of approximately 19.341%.

Based on the Scheme Share Issue Price and the estimated maximum liabilities of the Company of HK\$2,600,000,000, a maximum of 28,761,061,946 Scheme Shares will be allotted and issued upon the Scheme become effective and completion of the adjudication of Admitted Claims, which represents (i) approximately 3,061.6% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 96.84% of the issued share capital of the Company as enlarged by the allotment and issue of the maximum number of Scheme Shares.

The Lock Up Arrangement

The Scheme Shares would be subject to the Lock Up Arrangement under which the Scheme Shares will be divided into three (3) tranches and the Lock Up Arrangements for each of them are as follows:

- (a) Tranche A Scheme Shares: 33% of the Scheme Shares entitled by a Scheme Creditor shall be locked up for a period of 36 months from the date of their issuance;
- (b) Tranche B Scheme Shares: 33% of the Scheme Shares entitled by a Scheme Creditor shall be locked up for a period of 48 months from the date of their issuance; and
- (c) Tranche C Scheme Shares: 34% of the Scheme Shares entitled by a Scheme Creditor shall be locked up for a period of 60 months from the date of their issuance.

The voting rights of the Scheme Shares during the applicable lock-up period could be exercised by the Scheme Creditors, who would be entitled to a share of any dividend which may be declared by the Company during the relevant period in respect of such shares. Such dividends, if any, shall be paid to the Scheme Trust Account and the Scheme Administrators will distribute the same as soon as practicable but in any event no later than 30 days of the receipt thereof.

The Scheme Shares, when allotted and issued, will be issued to the Scheme Creditors, whereby the share certificates of the Scheme Shares shall be kept in custody by the Scheme Company and will not be released to the Scheme Creditors to facilitate the Lock Up Arrangement and the Scheme Placing. The Company will appoint the Scheme Placing Agent at its expense to facilitate the eventual disposal of such Scheme Shares. The terms of the Scheme include an authorisation to be given by the Scheme Creditors in favour of the Scheme Company upon the Scheme become effective, with which the Scheme Company could execute any documents for facilitating the Scheme Placing and transfer of Scheme Shares for and on behalf of the Scheme Creditors.

The disposal arrangement of the Scheme Shares through the Scheme Placing

Prior to the expiry of the respective lock up periods under the Lock Up Arrangement, the Company will appoint the Scheme Placing Agent at its expenses to assist the Scheme Creditors to dispose of the Scheme Shares on the market during the following Scheme Placing Periods:

- (a) Placing Period I: from the first day of the 37th month from the Issue Date up to the last day of the 48th month from the Issue Date;
- (b) Placing Period II: commencing from the earlier of (i) the first day of the 49th month from the Issue Date; and (ii) the date when all the Tranche A Scheme Shares have been placed out, and ending on the last day of the 60th month from the Issue Date;
- (c) Placing Period III: commencing from the earlier of (i) the first day of the 61st month from the Issue Date; and (ii) the date when all the Tranche B Scheme Shares have been placed out, and ending on the last day of the 72nd month from the Issue Date.

For avoidance of doubt, for the Company to perform its obligation under the Make Good Undertaking, the share certificates of the Scheme Shares will remain under the custody of the Scheme Company after the lapse of the Lock Up Arrangement of any tranches of the Scheme Shares.

Upon the disposal of the relevant Scheme Shares in each of the above tranches, any Scheme Shares that have been disposed of shall be deemed to be disposed of by the respective Scheme Creditors. For the avoidance of doubt, all the Scheme Shares shall be deemed to have been disposed of prior to the end of the abovementioned respective disposal period.

In the event that any of the Scheme Shares could not be disposed of on or before the end of the respective placing periods, those Outstanding Scheme Shares shall be transferred to the Scheme Company and the Company shall continue to procure for the disposal of such remaining Scheme Shares on the market by the Scheme Placing Agent at the timing when it deems fit. Upon the transfer of the Outstanding Scheme Shares, the Scheme Company undertakes to the Company not to exercise the voting rights of any of the Outstanding Scheme Shares. Any proceeds derived therefrom shall be deposited to the

Scheme Company and shall become the Scheme Fund for the administration expenses. For the avoidance of doubt, in case any Scheme Shares that could not be disposed of prior to the end of the respective placing periods, the actual selling prices of the relevant Scheme Shares will be deemed to be nil for calculating the compensation amount under the Make Good Undertaking. After the Company has performed its obligations under the Make Good Undertaking in respect of all the tranches of the Scheme Shares, any Scheme Shares which remain may be disposed of in accordance with the Company's instructions and the Company will be entitled to any proceeds arising from such disposal.

The Make Good Undertaking

If the actual selling prices of the Scheme Shares are lower than the relevant Guaranteed Selling Prices set out below, the Company will compensate such shortfall in cash within 1 month from the end of each relevant Scheme Placing Period by depositing the cash compensation in the Scheme Trust Account, and the Scheme Administrators shall distribute such cash compensation to the relevant Scheme Creditors as soon as practicable.

The Guaranteed Selling Prices of the Scheme Shares are as follows:

- (a) For the Scheme Shares placed from the first day of the 37th month up to the last day of the 48th month from the Issue Date: a premium of 6% over the Scheme Shares Issue Price per Scheme Share i.e. HK\$0.0958 per Scheme Share;
- (b) For the Scheme Shares placed from the first day of the 49th month up to the last day of the 60th month from the Issue Date: a premium of 8% over the Scheme Shares Issue Price per Scheme Share i.e. HK\$0.0976 per Scheme Share; and
- (c) For the Scheme Shares placed from the first day of the 61st month up to the last day of the 72nd month from the Issue Date: a premium of 10% over the Scheme Shares Issue Price per Scheme Share i.e. HK\$0.0994 per Scheme Share.

For the avoidance of doubt, in the event the relevant Scheme Shares are disposed of at or above the Guaranteed Selling Prices, no compensation shall be made by the Company for such relevant Scheme Shares. Any proceeds from the disposal which are above the Guaranteed Selling Prices will be retained by the Company for its use but will not be distributed to the Scheme Creditors.

The Share Charges and the Security Undertakings

In the event that the Company defaults in its obligations under the Make Good Undertaking, the Scheme may be terminated by the Scheme Administrators. However, in such event, the Scheme Creditors would have a new claim against the Company based on the Make Good Undertaking.

The obligations of the Company under the Make Good Undertaking will be secured by (i) the Share Charges over the entire issued share capital of Differ Good Asset, Cherries Automobile, Differ Financial Services, Differ Construction, and Differ Hub, all being the major subsidiaries of the Company, and (ii) the Security Undertakings whereby each of Differ Good Asset, Cherries Automobile, Differ Financial Services, Differ Construction, and Differ Hub would undertake, and will procure their respective subsidiaries, not to dispose of the assets or proceeds from the sale of the assets of the Differ Security Group (save for first paying for all those necessary operating costs, expenses and repayment for the proper and unencumbered realisation of the assets; and expense in the ordinary course of business which is necessary to maintain and preserve the assets of the Group in order for the Company to honour its Make Good Undertaking).

If the Company breaches the Make Good Undertaking, the Scheme Administrators shall, enforce the Share Charges and the Security Undertakings to take over the control of the Differ Security Group and the underlying assets by enforcing all the pre-signed transfer documents relevant to the Share Charges and effect all the administrative steps to take over the control of the Differ Security Group for the purpose of controlling the assets thereof and then to effect the disposal of the assets thereof in a reasonable manner as soon as possible and procure the streaming up of proceeds from the realisation of the assets of the Differ Security Group to pay the Scheme Creditors on until the liabilities of the Company under the Make Good Undertaking is fully discharged. As at the date of this announcement, the net assets of the Differ Security Group amounts to approximately RMB1,311 million.

Release of the Personal Guarantees

As a term of the Scheme, all the personal guarantees provided for the debts of the Company (but not the debts of the subsidiaries of the Company), being the Personal Guarantees given by each of Mr. Ng Chi Chung, being a Shareholder (through his relevant controlled corporation) and a Director, and Mr. Hong Mingxian, being a Shareholder (through his relevant controlled corporation), will be released upon the Scheme becoming effective.

Change in the composition of the Board

It is intended that the Scheme Creditors will also form the Scheme Creditors' Committee. The Company shall give the right to nominate up to five (5) Director(s) (with no restriction as to the number of executive Directors, non-executive Directors or independent non-executive Directors to be nominated) to the Board to such Scheme Creditors' Committee (but not each individual Scheme Creditors) subject to the compliance with the relevant laws and regulations (including but not limited to the Listing Rules) and the approval from the relevant regulatory bodies (if applicable), whereby the Board shall procure the appointment of such candidates as Directors, so as to observe the financial performance of the Group and to participate in the management

of the Group's business for the benefit of the Scheme Creditors. In the event of any such change of Directors, the Company shall make further announcements to provide the Shareholders and potential investors with further updates.

Prior to the implementation of the Scheme, the Scheme Creditors' Committee shall be responsible in assisting the Scheme Creditors in nominating Directors to the Board. Upon the implementation of the Scheme, the Scheme Creditors' Committee shall continue to exist and shall be for the purpose of reflecting opinion from Scheme Creditors and advising the Scheme Administrators in relation to matters arising from the implementation of the Scheme. The Scheme Creditors' Committee will be dissolved upon the completion of the Scheme.

The Board is of the view that, given that all of the Scheme Creditors will become Shareholders upon implementation of the Scheme, it is reasonable to expect that the Directors to be nominated by the Scheme Creditors' Committee (which comprises the Scheme Creditors) will use their best endeavours to comply with the requirements under the Listing Rules as they shall serve the interests of all of the Shareholders as a whole.

Conditions precedent to the Scheme

The Scheme shall become effective subject to the fulfilment of the following conditions precedent, *inter alia*:

- (i) over fifty per cent (50%) in number of the Creditors, representing at least seventy five per cent (75%) in value of the Creditors, present and voting in person or by proxy at the Scheme meeting, vote in favour of the Scheme;
- (ii) the High Court sanctions the Scheme and an official copy of the order of the High Court sanctioning the Scheme is delivered to the Registrar of Companies in Hong Kong for registration;
- (iii) the passing of the necessary resolutions by Shareholders at the EGM for the Scheme and the transactions contemplated thereunder, including the issue of the Scheme Shares under a specific mandate;
- (iv) the Company having obtained either conditional approval or approval in-principle from the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Scheme Shares on the Stock Exchange;
- (v) the Stock Exchange approves the resumption of trading of the Shares of the Company (including the Scheme Shares);

- (vi) the increase of authorised share capital of the company from HK\$250,000,000 divided into 10,000,000,000 Shares to HK\$2,500,000,000 divided into 100,000,000,000 Shares having become effective;
- (vii) the execution of the Share Charges and the Security Undertakings;
- (viii) in the event that the Scheme Creditors' Committee has nominated up to five (5) directors to the board of Directors, the appointment of such nominated Directors having been approved by the resolutions of the Shareholders at the EGM or by resolutions of the Board effective on the date which the Scheme becomes effective, whichever is earlier; and
- (ix) the resignation of three (3) directors out of the eight (8) existing Directors as at date of the suspension of trading of the Shares having become effective.

None of the conditions of the Scheme as set out above can be waived.

Effective Date of the Scheme

The Effective Date is the date on which the Scheme will become effective and legally binding on the Company and the Scheme Creditors (regardless of whether a Scheme Creditor voted in favour of the Scheme) being the date where all the condition precedents under section 6 of the Scheme have been fulfilled.

Dilution effect of the Scheme Shares

The Scheme Shares Issue Price of HK\$0.0904 represents:

- (i) a discount of approximately 20.00% to the closing price of HK\$0.113 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 19.72% to the average closing price of HK\$0.1126 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 25.54% to the average closing price of approximately HK\$0.1214 per Share as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 54.11% to the Group's audited net asset value of approximately HK\$0.197 per Share based on the audited consolidated net asset value of the Group of approximately RMB166,942,000 (equivalent to approximately HK\$185,491,111) as at 31 December 2023 and the 939,423,988 Shares in issue as at the date of this announcement;

- (v) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) represented by a discount of 19.341%, represented by the theoretical diluted price of approximately HK\$0.0911 per Share to the benchmarked price of approximately HK\$0.113 per Share (as defined under Rule 7.27B of the Listing Rules); and
- (vi) a cumulative theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) in aggregation of the SM Placing and the issuance of Scheme Shares represented by a discount of approximately 19.642%, represented by the theoretical diluted price of approximately HK\$0.651 per Share to the benchmarked price of HK\$0.810 per Share (as defined under Rule 7.27B of the Listing Rules).

The Scheme Shares Issue Price was determined with reference to the recent market price of the Shares under the prevailing market conditions, the financial conditions of the Company, current market conditions and the reasons and benefits of the Scheme as discussed in the paragraph headed “Reasons for and benefits of the Scheme” under the paragraph headed “Reason for the Scheme” in this announcement.

Since (i) the number of Scheme Shares to be issued under the Scheme has been fixed (subject to the adjustment to be made after the receipt of the Notice of Claim from the Scheme Creditors); and (ii) the mechanism under the Make Good Undertaking does not involve any further issuance of the Shares, there will be no further dilution effect on the Company as disclosed above.

Reasons for the Scheme

The Company is facing dire financial difficulty as mentioned above, despite the Company was able to complete the SM Placing, the proceeds thereof, and proceeds from any other type of fundraising activities, would not be vast enough to cover all the liabilities of the Company. As such, the only feasible way for mitigating the Debts would be through the settlement by the Scheme Shares. To avoid a sudden increase in a vast number of Shares which would probably cause serve pressure on the Share price and distort the normal trading of the Shares, the Scheme Shares are also made subject to the Lock Up Arrangement under which the Scheme Shares will be locked up, and such locked up Scheme Shares would only be placed with the assistance of the Scheme Placing Agent appointed by the Company by batches in accordance with the various lock up period. In such way, it is hopeful that the impact on the Share price by the issue of the Scheme Shares would be minimized.

The Board is of the view that, the restructuring arrangement is designed to achieve a win-win situation for the Company and the Scheme Creditors. Upon the implementation of the restructuring arrangement, the liabilities of the Company will be compromised, which will improve the financial position of the Company and allow the Company to operate as a going concern, and in turn provides a greater benefit to the Shareholders comparing to the liquidation scenario as according to the liquidation analysis, the Shareholders will not get anything in the case that the Company falls into liquidation.

Reference is made to the announcement of the Company dated 6 June 2024.

On 6 June 2024, the High Court has granted leave to the Company to convene the Scheme Meeting based on the above proposed terms. The Scheme has to be approved by the Creditors, with over fifty per cent. (50%) in number of the Creditors with Admitted Claims, representing at least seventy-five per cent. (75%) in value of the Creditors with Admitted Claims, present and voting in person or by proxy at the Scheme Meeting. The Company is actively soliciting for support of the Creditors for the Scheme.

Taking into account of the above, the Board is of the view that the terms of the Scheme is reasonable and the implementation of the Scheme is beneficial to the Company, the creditors and the Shareholders.

Application for listing

The Company will apply to the Listing Committee for the listing of, and the permission to deal in, the Scheme Shares to be allotted and issued pursuant to the Scheme. No part of the securities of the Company is listed or dealt in, and no listing of or permission to deal in any such securities is being or is proposed to be sought, on any other stock exchanges.

EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Assuming there is no change in the number of Shares in issue from the date of this announcement up to and including the date of completion of the issue of the Scheme Shares, the table below sets out the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after completion of the issue of the Scheme Shares:

	As at the date of this announcement		Immediately after the issue of the maximum number of Scheme Shares (based on the total amount of Debts of HK\$2,553,365,783 as at 31 May 2024)	
	<i>No. of shares</i>	<i>%</i>	<i>No. of shares</i>	<i>%</i>
Expert Corporate Limited (<i>Note 1</i>)	130,000,000	13.84	130,000,000	0.45
Ever Ultimate Limited (<i>Note 2</i>)	504,000	0.05	504,000	0.00
Other public Shareholders	808,919,988	86.11	808,919,988	2.77
Scheme Creditors				
— Tianjin Binhai Rural Commercial Bank (天津濱海農商銀行)	—	—	10,478,684,309	35.90
— Flourish Growth Fund	—	—	4,029,971,736	13.81
— China Cinda Asset Company Limited (信達資產有限公司)	—	—	3,834,571,771	13.14
— Choi Simon Waihong	—	—	2,739,556,692	9.39
— Other minority Creditors	—	—	7,162,412,207	24.54
Total	939,423,988	100.00	29,184,620,703	100.00

Notes:

1. These Shares were held by Expert Corporate Limited, which was wholly and beneficially owned by Mr. Hong Mingxian. By virtue of the SFO, Mr. Hong Mingxian is deemed to be interested in the 130,000,000 Shares under the SFO.
2. These Shares were held by Ever Ultimate Limited, which was wholly and beneficially owned by Mr. Ng Chi Chung. By virtue of the SFO, Mr. Ng Chi Chung is deemed to be interested in 504,000 Shares under the SFO.

As at the date of this announcement, there is a total of 104 Scheme Creditors. Save for Mr. Ng Chi Chung, Dr, Feng Xiaoang, Mr. Tong Lu, Mr. Xu Yiwei and Mr. Kang Fuming, all Scheme Creditors (including Tianjin Binhai Rural Commercial Bank (天津濱海農商銀行), Flourish Growth Fund, China Cinda Asset Company Limited (信達資產有限公司) and Choi Simon Waihong) are independent third parties to the Group.

Shareholders and public investors should note that the above shareholding changes are for illustration purposes only and the actual changes in the shareholding structure of the Company upon the Scheme becoming effective and issuance of the Scheme Shares is subject to the actual number of Admitted Claims made by the Scheme Creditors.

Arrangement to avoid mandatory general offer implications and to ensure sufficient public float

Based on the existing calculation, assuming the debts will be claimed as Admitted Claims in full and the maximum number of Scheme Shares will be issued, the single largest Scheme Creditor, being Tianjin Binhai Rural Commercial Bank, will receive approximately 35.9% of the issued share capital of the Company as enlarged by the allotment and issue of the Scheme Shares if it participates in the Scheme. Moreover, where not all the Admitted Claims are claimed and the total number of Scheme Shares is fewer, the Scheme Shares which may be claimed by major Creditors may constitute a higher shareholding percentage of the enlarged issued share capital of the Company. Under the Hong Kong Code on Takeovers & Mergers, any person who hold 30% or more of the voting rights in the shares of the issued share capital of the Company would give rise to the obligations of such Shareholder to conduct a mandatory general offers for all the then issued Shares of the Company.

In light of this, if any Scheme Creditors will hold more than 29.9% of the Shares upon the issuance of the Scheme Shares, such Scheme Creditor would only be distributed with Scheme Shares of up to 29.9% of the issued share capital of the Company as enlarged by the issuance of the Scheme Shares. The balance of the entitled Scheme Shares would be transferred to the Scheme Company for arranging the Scheme Placing Agent to place out the remaining portion of the Scheme Shares of such Scheme Creditors for the purpose of preventing such Scheme Creditors from triggering the obligation of general offer under the Hong Kong Code on Takeovers & Mergers.

To ensure fairness among the Scheme Creditors in the timing of receiving the sales proceeds, the sale proceeds from such disposal will be retained by the Scheme Company and be paid to the relevant Scheme Creditor(s) at the same time as when other Scheme Creditors would receive the first tranche of proceeds under the Scheme Placing and the Make Good Undertaking.

Also, based on the calculation on the existing Debts of the Company, there will be sufficient public float after the issuance of the Scheme Shares.

FUND RAISING EXERCISE OF THE COMPANY IN THE PAST 12 MONTHS

The following are fund raising activities of the Company during the past 12 months immediately preceding the date of this announcement:

Date of announcement	Fund raising activity	Net proceeds raised	Intended use of proceeds	Actual use of proceeds
28 September 2023	Placing of Shares under general mandate	HK\$19.4 million	to be used of approximately HK\$8.0 million for general working capital of the Group and (ii) approximately HK\$11.4 million for the costs of the implementation of the restructuring plan of the Company	Used as intended
19 December 2023	Placing of new Shares under specific mandate	Approximately HK\$13.6 million	HK\$10 million for part repayment of debts to the creditors of the Company and HK\$3.6 million for general working capital of the Company for the period from March 2024 to December 2025	The Company has applied to the High Court and the High Court has approved for the validation order to use the proceeds from the placing of new Shares under specific mandate. Approximately HK\$6.3 million will be used as the costs for the implementation of the Scheme; and HK\$7.3 million will be used as further general working capital of the Company. As at the date of this announcement, no proceeds have been utilised. For details, please refer to the announcement of the Company dated 19 July 2024 in relation to the change in use of proceeds of the placing of new Shares under specific mandate.

Saved as disclosed above, the Company did not conduct any equity fund raising activities during the 12 months immediately preceding the date of this announcement.

LISTING RULES IMPLICATIONS

The Scheme Shares will be allotted and issued pursuant to the Specific Mandate to be obtained upon approval by the Shareholders at the EGM. Moreover, as at the date of this announcement, each of Mr. Ng Chi Chung, Dr. Feng Xiaogang, Mr. Tong Lu and Mr. Kang Fuming is a Director as well as a Creditor under the Scheme, while Mr. Xu Yiwei is a former Director in the last 12 months from the date of this announcement as well as a Creditor under the Scheme. Accordingly, the possible issue of Scheme Shares to each of them would constitute a connected transaction under Chapter 14A of the Listing Rules and is therefore subject to the approval of the Independent Shareholders.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, save for Mr. Ng Chi Chung, Dr. Feng Xiaogang, Mr. Tong Lu and Mr. Kang Fuming, all being Directors, all the other Scheme Creditors are independent of and not connected with the Company and its subsidiaries, its connected person(s) and their respective associate(s).

INFORMATION ON THE PARTIES

The Group

The Group is principally engaged in the (i) assets management business (mainly including property development and investment); (ii) provision of financial related services (mainly including finance lease services and express loan services); (iii) commodity trading business; and (iv) automobile e-commerce business.

The Scheme Company

The Scheme Company is a company to be incorporated in Hong Kong with limited liability, being a special purpose vehicle held and controlled by the Scheme Administrators or such other persons as may be nominated by the Scheme Administrators, all being an independent third party to the Company.

The Directors who are also Scheme Creditors

Mr. Ng Chi Chung

Mr. Ng Chi Chung is an executive director, the chairman and chief executive officer of the Company. As at the date of this announcement, the amount of debt owing to Mr. Ng Chi Chung amounts to HK\$365,000, being the outstanding director remuneration. As such, Mr. Ng Chi Chung will receive 4,037,611 Scheme Shares under the Scheme.

Dr. Feng Xiaogang

Dr. Feng Xiaogang is an executive director of the Company. As at the date of this announcement, the amount of debt owing to Dr. Feng Xiaogang amounts to HK512,000, being the outstanding director remuneration. As such, Dr. Feng Xiaogang will receive 5,663,717 Scheme Shares under the Scheme.

Mr. Tong Lu

Mr. Tong Lu is an executive director of the Company. As at the date of this announcement, the amount of debt owing to Mr. Tong Lu amounts to HK61,000, being the outstanding director remuneration. As such, Mr. Tong Lu will receive 674,779 Scheme Shares under the Scheme.

Mr. Xu Yiwei

Mr. Xu Yiwei was a non-executive director of the Company, who has resigned with effect from 4 June 2024. Pursuant to Rule 14A.08(6)(c) of the Listing Rules, as Mr. Xu Yiwei was a director of the Company in the last 12 months from the date of this announcement, Mr. Xu Yiwei is a connected person of the Company. As at the date of this announcement, the amount of debt owing to Mr. Xu Yiwei amounts to HK226,667, being the outstanding director remuneration. As such, Mr. Xu Yiwei will receive 2,507,375 Scheme Shares under the Scheme.

Mr. Kang Fuming

Mr. Kang Fuming is a non-executive director of the Company. As at the date of this announcement, the amount of debt owing to Mr. Kang Fuming amounts to HK32,000, being the outstanding director remuneration. As such, Mr. Kang Fuming will receive 353,986 Scheme Shares under the Scheme.

GENERAL

The EGM will be convened and held for the purpose of considering and, if thought fit, approving (i) the Increase in Authorised Capital; and (ii) the Scheme (including the Scheme Shares Issue) and the transactions contemplated thereunder.

Mr. Ng Chi Chung, being a Director and a Shareholder (through his relevant controlled corporation), and Mr. Hong Mingxian, being a Shareholder (through his relevant controlled corporation), will be required to abstain from voting on the resolutions to approve the Scheme who due to their interest in the release of their respective Personal Guarantee under the Scheme upon the Scheme becoming effective.

Save as disclosed above, none of the other Shareholders and its associates have to abstain from voting on any resolution(s) to be proposed at the EGM.

A circular containing, among others, further details of (i) the Increase in Authorised Capital; and (ii) the Scheme (including the Scheme Shares Issue) and the transactions contemplated thereunder; and (iii) a notice convening the EGM is expected to be despatched to the Shareholders as soon as possible.

Completion of the Scheme is subject to the fulfilment or waiver (as the case may be) of various conditions, including the listing approval to be issued by the Stock Exchange in relation to the Scheme Shares, which may or may not be granted. The terms of the Proposed Restructuring may or may not be further varied. Accordingly, the Scheme may not proceed and the Debts of the Company may or may not be settled, and the risk of the Company being wound up may or may not be eliminated. Shareholders and potential investors of the Company should therefore exercise caution and consult professional advisers, if necessary, when dealing in the Shares.

DEFINITIONS

In this announcement, the following expressions have the following meanings, unless the context requires otherwise:

“Admitted Claim(s)”	all Scheme Claims of Scheme Creditors calculated up to Effective Date which have been admitted by the Scheme Administrators or the Adjudicator in accordance with the terms of the Scheme. No interest accruing for the period on and after the Effective Date will be provable as Admitted Claims
“associate(s)”	has the same meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day on which licensed banks in Hong Kong are generally open for business, other than a Saturday or a Sunday or a day on which a black rainstorm warning or tropical cyclone warning signal number 8 or above is issued in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not cancelled at or before 12:00 noon
“Cherries Automobile”	Cherries Automobile Company Limited, a wholly-owned subsidiary of the Company

“Claim(s)”	any debt, liability or obligation whatsoever, whether known or unknown, whether certain or contingent, whether present, future or prospective, whether liquidated or unliquidated, ascertained or sounding only in damages, whether based on contract (including quasi-contract), guarantee, indemnity or estoppel, and whether arising at common law, in equity, by statute or by regulation, in Hong Kong or in any other jurisdiction or in any manner whatsoever which would be admissible to proof in a compulsory winding up of the Company under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) and which includes, without limitation, a debt or liability to pay money or money’s worth, any liability for breach of trust, any liability in contract, tort or bailment, any liability arising out of an obligation to make restitution, and any liability arising out of any legal claims, whether certain or contingent
“Company”	Differ Group Auto Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 6878)
“Companies Ordinance”	Companies Ordinance, Chapter 622 of the laws of Hong Kong
“Connected person(s)”	has the same meaning ascribed thereto under the Listing Rules
“Debts”	the debts (including financial guarantee/contingent liabilities) in the total amount of HK\$2,553,365,783 as at 31 May 2024 intended to be settled under the Scheme
“Differ Construction”	Differ Construction Company Limited, a wholly owned subsidiary of the Company
“Differ Financial Services”	Differ Financial Services Company Limited
“Differ Good Asset”	Differ Good Asset Development Limited
“Differ Hub”	Differ Hub Company Limited
“Differ Security Group”	Differ Good Asset, Cherries Automobiles, Differ Financial Services, Differ Hub, Differ Construction, and their respective subsidiaries
“Director(s)”	the director(s) of the Company

“EGM”	the extraordinary general meeting of the Company to be held for the Independent Shareholders to consider and approve, among others, the Increase in Authorised Capital and the Scheme (including the Scheme Shares Issue)
“Excluded Claims”	Preferential Claims, Restructuring Costs, Secured Claims, Operational Claims and Petition Costs
“Group”	the Company and its subsidiaries
“Guaranteed Selling Price(s)”	HK\$0.0958 per Scheme Shares for those placed during the Tranche A Placing Period; HK\$0.0976 per Scheme Shares for those placed during the Tranche B Placing Period; and HK\$0.0994 per Scheme Shares for those placed during the Tranche C Placing Period
“High Court”	the High Court of Hong Kong
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which, as far as the Directors are aware after having made all reasonable enquiries, is/are not a connected person(s) of the Company within the meaning of the Listing Rules
“Independent Shareholders”	shareholders who has no material interests in the resolutions to be approved at the EGM
“Last Trading Day”	28 March 2024, being the last trading day of the Shares on the Stock Exchange prior to the suspension in trading and the publication of this announcement
“Listing Committee”	has the same meaning ascribed thereto under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Lock Up Arrangement”	the lock up arrangement over the Scheme Shares for various period as detailed in the section headed “Lock Up Arrangement” in this announcement

“Make Good Undertaking”	the undertaking provided by the Company to guarantee the compensation to be received by the Scheme Creditors in the Scheme Placing, details of which is set out in the paragraph headed “Make Good Undertaking” in this announcement
“Operational Claim(s)”	those debts owed by the Company which are incurred during the course of daily business operations of the Company
“Petition Costs”	the legal costs of the Petitioning Creditors in relation to the Petition, the amount of which is to be agreed by the Scheme Administrators or, if no agreement is reached between the Scheme Administrators and the Petitioning Creditor, to be subject to taxation
“Personal Guarantee(s)”	the personal guarantee(s) given by each of Mr. Ng Chi Chung and Mr. Hong Mingxian for some of the Debts in favour of the creditors thereof
“PRC”	the People’s Republic of China
“Preferential Claim(s)”	any Claim which would be treated as a preferential claim and have priority in a winding up in Hong Kong pursuant to Section 265 of the Companies (Wind Up and Miscellaneous Provisions) Ordinance (Cap. 32) if the Company were wound up on the basis of the petition presented in HCCW 266/2023
“Proposed Restructuring”	the proposed debt restructuring of the Company which is being formulated and shall be announced further by the Company in due course
“Restructuring Adviser”	Acclime Corporate Advisory (Hong Kong) Limited (formerly known as RSM Corporate Advisory (Hong Kong) Limited
“RMB”	Renminbi, the lawful currency of PRC
“Restructuring Costs”	the costs, charges, expenses and disbursements necessarily and properly incurred for implementation of the Proposed Restructuring
“Sanction Hearing”	the hearing in relation to the petition seeking the sanctioning of the Scheme by the High Court
“Sanction Order”	the order by the High Court sanctioning the Scheme (with or without modification)

“Scheme”	the proposed scheme of arrangement pursuant to Section 670 of Companies Ordinance to be entered into between the Company and the Scheme Creditors
“Scheme Administrators”	such persons to be appointed as Scheme Administrator(s) pursuant to the terms of the Scheme, who are expected to be Mr. Osman Mohammed Arab and Mr. Lai Wing Lun of Acclime Corporate Advisory (Hong Kong) Limited
“Scheme Company”	A company to be incorporated in Hong Kong with limited liability, being a special purpose vehicle held and controlled by the Scheme Administrators or such other persons as may be nominated by the Scheme Administrators
“Scheme Claims”	any Claim(s) against the Company other than the Excluded Claims
“Scheme Creditor(s)”	any person (other than the persons with an Excluded Claim) with the benefit of a Claim against the Company which arose on or before the date on which the Scheme becomes effective
“Scheme Fund”	the fund from time to time credited to the Scheme Trust Account, including any interest thereon, and proceeds from disposal of the Outstanding Scheme Shares
“Scheme Meeting”	the meeting of the Scheme Creditors to be convened at the direction of the High Court respectively for the purpose of considering and, if thought fit, approving the Scheme
“Scheme Placing”	the placing of the Scheme Shares on the market by the Scheme Placing Agent to be appointed by the Company for the benefit of the Scheme Creditors during the Tranche A Placing Period, Tranche B Placing Period or Tranche C Placing Period (as the case may be)
“Scheme Placing Agent”	a placing agent to be appointed by the Company for the Scheme Placing
“Scheme Shares”	a maximum of 28,761,061,946 new Shares to be allotted and issued by the Company to the Scheme Creditors under the Scheme
“Scheme Shares Issue”	the issue of the Scheme Shares under the Scheme

“Scheme Shares Issue Price”	the issue price per Scheme Share of HK\$0.0904
“Scheme Trust Account”	the interest-bearing trust account to be opened in the names of the Scheme Administrators with a licensed bank in Hong Kong for the purposes of holding Scheme Funds for the benefit of Scheme Creditors
“Secured Claim(s)”	Claim(s) secured by a Security Interest provided by the Company
“Security Agent”	the agent to monitor and enforce the securities to secure the obligations and liabilities of the Company under the Scheme in favour of and for and on behalf of the Scheme Creditors, the first being the Scheme Administrators or their delegates
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.025 each in the share capital of the Company
“Shareholder(s)”	holder(s) of issued Share(s)
“Share Charges”	the deeds of share charge to be executed by the Company to charge the entire issued share capital in Differ Good Asset, Differ Construction, Differ Financial Services, Differ Hub and Cherries Automobile, being all the intermediate holding companies of the Group, in favour of the Scheme Administrators or their delegates as the Security Agent
“SM Placing”	the placing under a specific mandate to be granted by the Shareholders for the allotment and issue of the new Shares as announced in the SM Placing Announcement
“SM Placing Announcement”	the announcement of the Company dated 19 December 2023 in relation, among others, the SM Placing
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the same meaning ascribed thereto under the Listing Rules
“Tranche A Placing Period”	has the meaning as defined in the section headed “The Lock Up Arrangement” of this announcement

“Tranche B Placing Period”	has the meaning as defined in the section headed “The Lock Up Arrangement” of this announcement
“Tranche C Placing Period”	has the meaning as defined in the section headed “The Lock Up Arrangement” of this announcement
“%”	per cent.

Unless otherwise specified in this announcement, the exchange rate adopted in this announcement for illustration only is approximately HK\$1 to RMB0.9. No representation is made that any amounts in RMB could have been or could be converted at that rate or at any other rates.

By order of the Board
Differ Group Auto Limited
Ng Chi Chung
Chairman and Executive Director

Hong Kong, 19 July 2024

As at the date of this announcement, the executive Directors are Mr. NG Chi Chung, Dr. FENG Xiaogang and Mr. TONG Lu; the non-executive Director is Mr. KANG Fuming; and the independent non-executive Directors are Mr. CHAN Sing Nun, Mr. LAM Kit Lam and Ms. CHUANG Yin Lam.